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SPEECH

OF THE

HON. A. M. ROSS, *Alexander Maclean*

TREASURER OF THE PROVINCE OF ONTARIO,

DELIVERED ON THE 14th FEBRUARY, 1889,

IN THE

LEGISLATIVE ASSEMBLY OF ONTARIO,

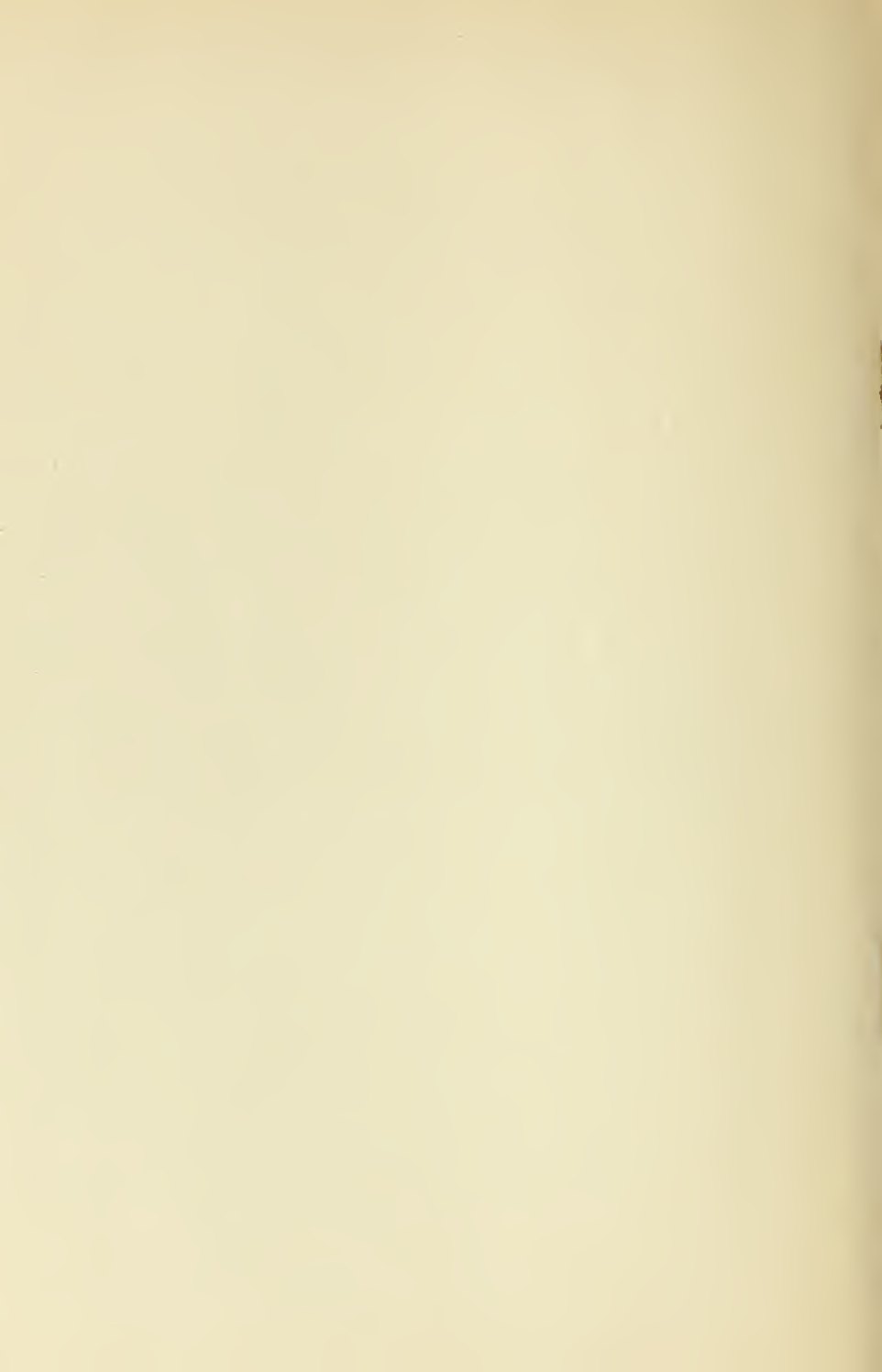
ON MOVING THE HOUSE INTO COMMITTEE OF SUPPLY.

REPORTED BY L. V. PERCIVAL.

TORONTO :

PRINTED BY WARWICK & SONS, 68 AND 70 FRONT STREET WEST.

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FINANCIAL STATEMENT
OF THE
HONORABLE A. M. ROSS.

LEGISLATIVE ASSEMBLY,
TORONTO, Thursday, 14th February, 1889.

HON. MR. ROSS spoke as follows:—

MR. SPEAKER,—The annual statement of the financial operations of the Province, which it is the established custom of the Treasurer to present at each Session, is always looked forward to with interest by both sides of the House; by gentlemen on this side supporting the Government with an anxious desire that the statement presented may be of such a satisfactory character as will justify the confidence they have felt in the Government, and by hon. gentlemen opposite, with a watchful eager criticism which is to be expected from Her Majesty's loyal Opposition, and a prompt challenge of anything that may be in their opinion open to investigation; particularly do they scan closely the receipts and expenditure to see if the actual transactions of the year bear out the forecast made by the Treasurer in the previous Session, whom they generally accuse of taking too favorable a view of the probable results of the year's transactions.

I again follow this year the practice I introduced some years ago of placing in the hands of Members sheets containing an abstract of the expenditures, receipts, assets and liabilities, and the anticipated receipts for the present year, to facilitate them in following the remarks the Treasurer may have to make.

Without any further preface, I proceed at once to place before the House a plain, business statement of the transactions of the past year. First, I will take up the Receipts for 1888, comparing them with the estimate of what we expected to receive during the year.

RECEIPTS, 1888.

SUBSIDY.	\$1,116,872 80	
SPECIFIC GRANT	80,000 00	
	<hr/>	\$1,196,872 80
INTEREST ON CAPITAL HELD, AND DEBTS DUE BY THE DOMINION TO ONTARIO.....	\$279,111 10	
INTEREST ON INVESTMENTS	55,331 95	
	<hr/>	334,443 05

CROWN LANDS DEPARTMENT:—

Crown Lands	\$77,071 40	
Clergy Lands.....	8,347 49	
Common School Lands	11,395 15	
Grammar School Lands	2,445 20	
Rent <i>re</i> Lands	10 00	
In Suspense <i>re</i> Lands	18,771 42	
Woods and Forests.....	1,316,139 09	
Casual Fees.....	1,763 74	
Refunds <i>re</i> Destitute Settlers.....	396 79	
Refunds <i>re</i> Settlers' Homesteads.....	114 30	
	<hr/>	1,436,454 58

ALGOMA TAXES	2,282 26	
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LAW STAMPS	81,044 50	
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LICENSES	233,886 19	
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EDUCATION DEPARTMENT	33,173 74	
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PUBLIC INSTITUTIONS' REVENUE:—

Toronto Lunatic Asylum	\$38,667 23
London "	19,792 96
Hamilton "	6,463 34
Kingston "	3,748 58
Orillia "	1,477 47
Reformatory for Females.....	4,354 80
" Boys	515 50
Central Prison.....	27,727 29
Deaf and Dumb Institute	150 00
	<hr/>

102,897 17

CASUAL REVENUE:—

Provincial Secretary's Department.....	\$9,336 28	
Fines, etc	3,370 79	
Insurance Company's Fees.....	665 00	
Surrogate Court Fees	1,325 50	
Division "	2,040 90	
Official Gazette.....	8,473 18	
Private Bills	2,355 50	
Statutes	6,968 95	
" Index.....	54 00	
Incidentals	124 80	
	<hr/>	\$34,714 90
Insurance Companies' Assessments	3,020 53	
Removal of Patients "	9,083 57	
	<hr/>	12,104 10
LONDON LUNATIC ASYLUM—INSURANCE.....		1,279 94
DEAF AND DUMB INSTITUTE—INSURANCE		336 42
AGRICULTURAL COLLEGE—SALE OF FURNITURE		113 25
LAKE NIPISSING WORKS—SALE OF SCOW ..		400 00
DRAINAGE WORKS ASSESSMENTS		15,041 52
MUNICIPAL LOAN FUND.....		4,000 00
		<hr/>
		\$3,489,044 42
DRAINAGE DEBENTURES		31,758 44
" " TILE		3,398 56
ORILLIA LUNATIC ASYLUM—MORTGAGE		1,500 00
MIMICO FARM—MORTGAGE		2,386 84
TORONTO LUNATIC ASYLUM—SALE OF LANDS		30,471 81
NEW PARLIAMENT BUILDINGS FUND.....		28,861 71
		<hr/>
		\$3,587,421 78

In the item of Interest on Investments, our estimate last year was \$40,000 ; we have received \$55,331, or \$15,331 in excess of our estimate. From Algoma taxes we estimated to receive \$5,000, and received \$2,282. This is owing to the fact that we had a large sale for taxes in 1887, and a number of the lots were sold for less than the taxes. I had expected that a large number of these would have been redeemed during the past year, and that through that redemption we would get the balance due us ; these expectations have not been realized.

In the item of law stamps we have received \$81,044 ; my estimate of what we might expect to receive was \$66,000. The receipts for 1888 have been exceptionally large—the largest, I think, with the exception of 1874, when the reduction was made in stamp taxes formerly imposed. A

part of this increase is no doubt due to commutations to Local Masters and Surrogate Judges, but the bulk of it is owing to the increase of business during the past year.

From licenses it will be seen above that we have received \$233,886 ; our estimate of receipts was \$195,000. Although at the time of the last meeting of the House it was known that the votes to be given on the question of the repeal of the Scott Act in a number of counties where it was then in force might affect our revenue, we did not feel ourselves justified in taking into account any additional revenue that might be derived from that source. As the House is aware, many of the counties repealed the Act, and the result was that the License Law came into operation in those districts, and more licenses were issued, so that owing to the repeal of the Scott Act we have received the sum of \$34,510 for licenses in excess of what we had expected to receive from these counties during 1888, or altogether the sum of \$38,886 over our estimate.

From the Education Department we have received \$33,173 ; our estimate was \$25,000. The increase I believe has been mainly due to the large number of examinations taking place at the Education Department, which has added largely to the receipts.

Then for Public Institutions' Revenue we have received \$102,897. My estimate was \$123,800. We have not received that sum by \$20,902. This is mainly due to the fact that the adjustment of the Central Prison accounts in connection with the manufacture of brick used in the construction of the new Parliament Buildings had not been concluded at the close of the year, and therefore the revenue from that industry has not been brought into the Public Accounts.

Then we have Casual Revenue, \$34,714. The estimate for that was \$35,000, the receipts, therefore, very nearly approximate.

From insurance companies, which is a fixed statutory revenue, we have received about what we estimated, \$3,000.

For removal of patients the estimate was \$6,000, and we have received \$9,083. That amount has been collected from counties.

Then you will notice some small items of revenue :—London Asylum, insurance, \$1,279 ; that is the amount paid in by the two companies who paid our claims *re* the London fire. Deaf and Dumb Institute, insurance,

\$336 ; Agricultural College, sale of furniture, \$113 ; Lake Nipissing Works, sale of scow, \$400 ; for Drainage Works Assessments, our estimate was \$24,000, our receipts only \$15,041, but for the purpose of enabling the Public Accounts to be presented as early as possible, we closed our revenue accounts in the Treasury Department earlier than usual. The result was that a number of payments for drainage loans came in a few days after the accounts had been closed, and will come into the receipts of this year. Then for Municipal Loan Fund we estimated \$4,850, the final and closing settlement with the City of St. Catharines ; we received \$4,000 within the year by the sale at par of the city debentures received, and the balance of \$850 has been received since the close of the financial year. This closes finally, Mr. Speaker, the Municipal Loan Fund settlement, in connection with which we have nothing more to collect.

Our total ordinary receipts are, therefore, \$3,489,044.42, the total estimated was \$3,403,233, or our ordinary receipts have exceeded our estimates by the sum of \$85,811. I think we may fairly claim that our forecast of the receipts of the year has been closely verified, and our estimate was, as was intended, kept rather within than over what might have been calculated on.

Then we have, outside of ordinary receipts, certain other receipts. We have Drainage Debentures, Tile Drainage Debentures, Orillia Idiot Asylum mortgage, and mortgages in connection with lots at Mimico Farm. These receipts from Drainage Debentures are repayments on account of loans made, which are reinvested again in other loans which appear in the expenditure statement ; these debits and credits shewing the fluctuation of the Drainage investments. We received in these repayments during the past year \$35,157, and by referring to the expenditure statement you will see that we have in the past year reinvested all of this \$35,157, and also \$23,628 additional.

In regard to the sale of Asylum lands, I may say that the high price which real estate has attained in Toronto has for many years pressed upon the Government the inadvisability of continuing the occupation of about seventy acres of valuable land mainly for the purpose of growing vegetables. Last session a vote was taken for the erection of four cottages at Mimico, with a capacity of fifty patients each, to be run

in connection with the Toronto Asylum, and it was intended that the proceeds of the sale of this surplus land in connection with the Lunatic Asylum should be devoted to the cost of these cottages, believing that the people of the Province would rather have the value of the land in the shape of additional accommodation for these unfortunates than have it used as at present in connection with the Toronto Asylum. There was an urgent demand for increased accommodation, and we felt ourselves justified in entering upon the erection of these cottages. Contracts have been let for eight cottages to be built at Mimico, with a capacity for 400 patients, and the whole cost of these we expect to be recouped from the sale of these asylum lands. Tenders were invited for the purchase of this land, the past season being thought by the Government a favorable one for placing it upon the market. Tenders were invited for sixteen acres in October last. The land was divided up into sixteen parcels. A number of tenders were received and several were accepted, and I may give the House the number of blocks disposed of, (I daresay most hon. gentlemen have seen the plan,) the names of purchasers, and the prices paid:—

Blocks “F” and “G,” on Queen Street to the Land Security Company, at \$150 per foot frontage.

Blocks “J” and “K,” on Queen Street to the same Company, at \$140 per foot.

Block “P,” the Toronto Land and Investment Company, at \$25.55 per foot.

Blocks “Q” and “S,” Ontario Industrial Loan and Investment Company, at \$25 per foot. These are rear blocks.

The tenders for the other nine blocks were declined, as the Government did not consider the price offered was the fair market value of the land. New tenders were invited again on the 27th December for the remaining blocks not sold. Of these tenders five were accepted:—Block “D,” on Queen street, from the Land Security Company, at \$152.50 (I may say that the former offer for that block was \$140). Block “M” was allotted to A. McRoberts, at \$31.50 per foot; Block “O” to C. H. Nelson, at \$31.60; Block “R” to the Toronto Land and Investment Company, at \$32, and Block “T” to T. H. Ince, at \$25 per foot. Tenders for the three remaining blocks on Queen street were not accepted, as they were still

thought below the market value. A tender of \$30 for Block "N" was not accepted, the Government thinking that \$30 was not fair value for the land, but after the close of the sale some parties who had sent in tenders at \$30 per foot were given an opportunity of increasing their tenders, and the offer of Thomas McGaw of \$31.50, the highest received, was accepted. Altogether we have sold thirteen blocks, five on Queen street and eight in the rear, realizing \$215,688. The terms were one-fourth cash, the balance in five years at 5 per cent. Of the one-fourth in cash, the amount stated in the Receipts, \$30,471.81, was received before the close of the year. We have still three lots on Queen street unsold, on which we expect to realize something about \$60,000, so that the tenders we have accepted and the \$60,000 we expect will bring up the receipts for these sixteen acres to about \$275,688, which we estimate will cover the erection of the eight cottages.

We have still in connection with the asylum, outside of the present walls, some nineteen acres which is available for sale, but as there is a large quantity of brick clay, valuable for brick making upon it, required for this industry in the Central Prison it was not deemed desirable to dispose of it at the present time.

Our total receipts, therefore, Mr. Speaker, from all sources, have been \$3,587,421.78,

We now come to the expenditure of the past year :

EXPENDITURE, 1888.

Civil Government	\$200,685 24
Legislation.....	127,030 77
Administration of Justice.....	373,898 80
Education	579,465 30
Public Institutions Maintenance.	721,602 69
Immigration	7,952 39
Agriculture	137,054 46
Hospitals and Charities.....	113,686 14
Repairs and Maintenance, P. B.....	69,229 54
Public Buildings	291,423 56
Public Works	42,870 71
Colonization Roads.....	112,273 56
Charges on Crown Lands	96,734 47
Consolidation of Statutes	31,394 99
Miscellaneous	74,030 67
Refunds	27,703 73

Ordinary Expenditure under Supply Bill..... \$3,007,037 02

Drainage Debentures.....	\$47,684 92
Tile “.....	11,100 00
Railway Aid Certificates	247,982 14
Annuity “.....	52,200 00
Widows Pensions.....	11,041 15
New Parliament Buildings	159,203 23
	<hr/>
	\$3,536,248 46

First, you will see that for Civil Government we have expended \$200,-685. Our estimate was \$198,745, or we have expended \$1,940 over the amount voted. For legislation the vote was \$122,050 ; we have spent \$127,030, or an over-expenditure of \$4,980. Most of that is in connection with the item, as you will see by the Public Accounts, of Stationery, printing and binding. We exceeded the vote by \$2,864. This is almost altogether out of the control of the Government. If any control can be had over it, that control rests with the House. It depends altogether upon the volume of Returns asked for and the Reports sent in. There is also included in that the cost of indexing the Journals, which amounted to \$1,278.69. There was also extra work on the Catalogue and Legislative documents.

Then for Administration of Justice we spent \$373,898, the vote being \$371,476, or an over-expenditure of \$2,422 under that head. The principal items in which there has been an over-expenditure will be seen in the Public Accounts, and will be found to be under the head of Litigation of Constitutional questions, for which we took a vote of \$12,000, and our expenditure was \$21,332, or an excess over the estimate of \$9,332. That is mainly in connection with what is known as the Indian Title question. It is to be hoped that the Province has seen the end of this Litigation of Constitutional questions. The Province has no reason to be dissatisfied with the decisions arrived at, but we have reason to regret the expense we have been compelled to incur in defending the rights of the Province. Our total expenditure in connection with litigation of constitutional questions has been \$112,694, exclusive of the cost of holding possession of the Disputed Territory, or the territory that was disputed. For that expenditure of \$112,000 I claim that the Dominion ought to reimburse the Province. Sir John Macdonald has himself admitted that in kindred expenditures to which other Provinces have been put, the Dominion ought to reimburse

them. The Hon. Mr. Robertson, Provincial Treasurer of Quebec, in his Budget Speech of 1885, announced publicly that Sir John had promised that all the costs in connection with the appeal of the license question to the Privy Council would be paid by the Dominion, and Mr. Robertson repeated that statement in his Budget Speech of 1887, and I having seen the statement in his speech wrote him on the 15th January, 1887, asking whether the promise made by Sir John referred to in his Budget Speech had been carried out.

In a letter dated 19th January, 1887, he replied as follows :

“ At an interview with Sir John A. Macdonald and some of his colleagues in Ottawa, after the decision of the Supreme Court respecting license matters had been rendered, Sir John expressed himself as not satisfied with the decision of the Supreme Court, that it would not carry equal weight with a decision of the Privy Council in England ; he said that he thought of an appeal to England, as it would be more satisfactory to all parties. I replied, ‘ Sir John, you formerly stated that you would abide by the decision of the Supreme Court, and now, if you drag the Provinces to England, it’s no more than right that the Dominion should pay the expenses of the appeal to England, as we are forced there by you.’ He replied, ‘ Mr. Robertson, I think you are right ; the Dominion should pay all costs in appeal to England, and it will be done.’ ”

I hope, Mr. Speaker, that the same measure of justice will be meted out to Ontario, and that we will be reimbursed the large cost we have been put to in resisting those unjust attacks upon our legislative and territorial rights.

Then we have another admission of the Dominion Government which I think should fortify us. In the Dominion Statutes of 1885, Manitoba was granted a large sum in addition to her subsidy, as stated distinctly in the preamble to the Act, “ as a full settlement of all claims made by the Province for reimbursement of costs incurred in the government of the disputed territory or a reference of the boundary question to the Judicial Committee of the Privy Council,” so that Manitoba was given a large sum to reimburse her actually for the costs she was put to in the unlawful occupation of our territory. I think therefore that our claim is good

on the Dominion Government for reimbursement for all costs which Ontario has been put to by this reference to the Privy Council of these constitutional questions.

Then our next item of expenditure is Education, for which we expended \$579,465. Our estimate was \$581,412, or our expenditure was within the estimate by \$1,947.

For Public Institutions Maintenance we expended \$721,602, as against an estimate of \$705,654, or an over-expenditure of \$15,938. The expenditure in connection with our Public Institutions now amounts to about one-fourth of our whole revenue. It absorbs about two-thirds of the amount that was allotted to us by the B. N. A. Act to meet the whole expenditure of the Province. Of this, \$557,309 is for the support of the Insane and Idiot Asylums, and the Deaf and Dumb and the Blind Institutes, the mentally and physically afflicted. The remaining \$164,293 is the cost of our criminal institutions, the Central Prison, Boys' Reformatory and Mercer Reformatory. In 1884 I presented to the House figures made up for ten years shewing what had been the cost of maintaining these institutions and the number that had been admitted. The conclusions I then drew from these figures were, that in regard to all the institutions outside of the Insane and Idiot Asylums, the Province had, as it were, reached the position when the expenditure would not be likely to increase, and the accommodation was up to the requirements of the day. Fluctuations no doubt would take place, and perhaps a gradual increase in consequence of the gradual increase of population. That view has been confirmed in the five years which have elapsed since that date. The inmates of our different penal institutions in 1883 were 1,620; the inmates in 1888 were 1,635. The daily average in 1883 was 718; the daily average in 1888 was 710. Then take the Deaf and Dumb and Blind; the total inmates in 1883 were 426; in 1888 421; the average daily attendance in 1883 was 384; in 1888 370. Then taking both the penal institutions and the deaf and dumb and blind, the total population in 1883 was 2,046, and in 1888 2,056; the average daily population in 1883 was 1,102, and in 1888 1,080. I think therefore that we may fairly say that this is satisfactory, and leads to the conclusion that we have, so far as these institutions are concerned, both in accommodation and cost of maintenance, arrived at the maximum of what the Province may be called upon to do.

I am sorry, however, to say, Mr. Speaker, that as regards our asylums for insane and idiots, we have not so satisfactory a showing. From the first year of Confederation there has been a steady and continuous increase, not only in regard to applications for admission, but applications for increased accommodation. Almost every session large sums have been voted for increasing that accommodation, and on frequent occasions the hope has been not unnaturally expressed that this accommodation would be sufficient to overtake the demands for years to come. Unfortunately, Mr. Speaker, that expectation has not been borne out. No sooner were additional buildings erected than they were filled to overflowing, and yet the applications for admission were as great as ever. Until lately it was believed that this increased demand for accommodation was due to a large extent to the greater confidence on the part of the people in the management of the institutions. This to a large extent was true, and is still operative, but another idea seems to be taking hold of the public mind, that insanity itself is actually on the increase. That seems to be the belief not only in Canada but in the United States and Great Britain, and this may to some extent account for the increased demand for accommodation, but statistics in Ontario and the United States point to the belief that there is something more bearing in the same direction, and that is, the character of our immigrants from the older world; that due care has not always been taken as to the nature and character of the people brought out, and in many cases it is believed that immigration has almost been a direct transfer from the immigrant ship to the asylum. Let me read from the last report of the Superintendent of the Toronto Asylum :

“It is worthy of note in this connection that a large number of our admissions during the year consisted of patients who are foreign born and many of them recently imported. Their number is out of all proportion to the native born, and there is a strong suspicion in my mind that Canada is becoming a ‘dumping-ground’ for the defective classes of the fatherland. An enquiry in this direction of an official nature would doubtless be of service to the country. For example, it is found that out of the 165 patients of last year’s admission, ninety-two were of foreign birth and only seventy-three of Canadian birth. It is safe to say that the next census of 1891 will show a very large preponderance of native population over that

of immigrants. That is true of our present population, and yet the admissions of patients last year show a proportion of those born out of Canada to largely exceed that of Canadian nativity. At least nine-tenths of the former come from the British Isles. From personal enquiry it is found that a large number were in British and Irish asylums before coming to Canada. Such persons may have reached our shores of their own accord, and for this influx no 'Old Country' organization may be responsible, yet it is evident that such a class is not coveted by this Province, nor will the progeny of many of these patients make level-headed citizens. This is a matter of past experience."

From statistics gathered from the United States, it appears that the foreign-born population only amounts to one-eighth of the population, yet they furnish one-third of the insane that are in their asylums. In Ontario, our foreign-born population, according to the census, amounts to 22.29 per cent, yet, in our asylums they amount to 47.88 per cent. In connection with our asylum accommodation, however, I may say that from the last monthly return handed to me by the Inspector of Asylums, it would appear that at the present time the Province may be said to be just abreast of the demand. The return shews that we have at the present time vacant beds in the institutions for 30 males and 12 females, or a total of 42 vacancies. The lunatics and idiots in our common gaols number 23 males and 13 females, or a total of 36, or you may say that if these were transferred to our asylums, they would about take up the accommodation available.

As shewing what the Province has done for the accommodation of these unfortunates, it may be well to point out that Ontario has, since Confederation, spent on capital account for the erection of buildings, \$3,423,855. Of that, \$2,181,446 was for Insane and Idiot Asylums; \$458,986 for the Deaf and Dumb and Blind, and \$783,423 for the Central Prison and Reformatories. For their annual maintenance the Province has spent, for the Insane and Idiots, \$5,710,776; for Deaf and Dumb and Blind, \$1,138,536, and for the Central Prison and Reformatories, \$1,914,031, or a total of expenditure for maintenance of \$8,763,344, which, with the capital expenditure, makes up a total of \$12,187,199, for the maintenance of our criminal and

unfortunate mentally afflicted population. If you add to that, as a kindred expense, the grants made to Hospitals and Charities, \$1,439,891, you have a total of \$13,627,090 spent in connection with these institutions. Perhaps I may also say what has been done in the way of increased accommodation of late years. During the past four years, we have supplied 180 additional beds at Kingston, 324 at Hamilton, and 80 at Orillia, or during the last four years we have supplied accommodation for 584 of these unfortunates, and yet the accommodation is not sufficient, and you will find in the Estimates for this year a very large sum for providing increased accommodation.

The next item we have is Immigration, on which we spent \$7,952, against an estimate of \$8,000. For Agriculture, we spent \$137,054, against an estimate of \$141,931, or an under-expenditure of \$4,877. For Hospitals and Charities we expended \$113,686 against the same sum voted in the Estimates. For Repairs and Maintenance of Parliament Buildings, etc., we spent \$69,228 against \$64,176 voted, or \$5,053 more than the amount voted. For Public Buildings we spent \$291,423, against an estimate of \$383,062, or, there is unexpended, in connection with Public Buildings, \$91,639, made up principally of the unexpended amount in connection with the Mimico cottages, \$44,439; also, an unexpended balance in connection with the new Orillia Asylum, \$30,728. These are the two main items unexpended. For Public Works we spent \$42,871, against an estimate of \$50,496, or an under-expenditure of \$7,626. For Colonization Roads we expended \$112,273, or \$5,623 over the amount voted, \$106,650. For charges on Crown Lands we spent \$96,734, against an estimate of \$101,900, or an under-expenditure of \$5,166. For Consolidation of Statutes, we expended \$31,395, or an over-expenditure of \$9,805. The total expenditure up to the present time, in connection with the last Consolidation of the Statutes, has been \$79,160, while the total expenditure in 1877 was \$73,787, the present expenditure for the Statutes of 1887 being already larger than that. This is accounted for by the fact that the present Consolidated Statutes contain 321 additional pages, as compared with the Statutes of 1877, and besides, in the present issue, there is an index in each volume. Then we have also on hand a large amount of type, all

set up in page form and filed away, in case a further issue should be required. That type is valued at \$20,000, which we have in that form, and which is included in the expenditure of \$79,000.

Then we have Miscellaneous, \$74,030, against an estimate of \$127,100, or an under-expenditure of \$53,070. For Refunds, our expenditure was \$27,703, against an estimate of \$27,954, or an under-expenditure of \$251.

Altogether, Mr. Speaker, the expenditure under the Supply Bill has been \$3,007,037.02. Our estimate was \$3,125,804.12, or the expenditure has been less than the amount voted by the sum of \$118,767.10. (Applause.)

Now, our total ordinary receipts were \$3,489,044.81 ; our total ordinary expenditure under the Supply Bill has been \$3,007,037.02, or our ordinary receipts for the past year, 1888, have exceeded our ordinary expenditure by the sum of \$482,007.79. (Applause.)

Then, outside of the Supply Bill, we have certain specific and statutory expenditures. First, Drainage Debentures and Tile Drainage Debentures. Now, this ought hardly to be classed as expenditure. Although they are disbursements, they are investments bearing interest, just as much as placing money in the bank. We purchase municipal debentures and keep them as interest-bearing investments. We have expended in the purchase of Drainage Debentures, \$47,684.92, while we have received \$31,758.44, and for Tile Drainage Debentures we expended \$11,100, while we received \$3,398.56, or an excess of expenditure or rather investments over receipts for both of \$23,627.92. For Railway Certificates we have expended \$247,982.14, and in payment of Annuity Certificates, \$52,200. Then, we have Widows' Pensions, \$11,041.15. That is a new item in connection with expenditure, which I may explain here. At the time of Confederation, a certain amount was set apart from the Municipalities' or Clergy Reserve Fund to pay Widows' Pensions. That fund was exhausted some years ago, and, for the last two or three years, remittances have been made to the Dominion Government to meet that expenditure. We have now these lists of pensions for which we are liable transferred to us, and we pay them direct. They are a charge upon the Municipalities' Fund, and the expenditure will be continued until the annuities die out.

Then we have the expenditure on the Parliament Buildings, \$159,203.23. Of this amount, \$129,203 was expended on the contract, and \$30,000 in payment for the land.

So, Mr. Speaker, our total expenditure, both under the Supply Bill and also for these statutory payments, foots up to \$3,536,248.46, and our total receipts, \$3,587,421.78, or, taking our total expenditure as against our total receipts, our expenditure is within our receipts by \$51,173.32. If you add to that the balance of \$23,627.92 which is classed as expenditure but which is really money invested in debentures, it would make \$74,801.24 as the balance unexpended. We began the year, Mr. Speaker, with a bank balance of \$575,433. We have, out of our receipts for the year, provided for all the usual services of the Government, and made liberal grants in aid of public enterprises; we have expended upon the new Parliament Buildings and other buildings \$493,497; we have paid Railway Annuities amounting to \$300,182, added \$23,627 to our debenture investments, and at the close of the year had at our credit in the banks, \$628,944, which is \$53,511 larger than it was at the commencement of the year. (Applause.) Mr. Speaker, I think this statement must be accepted by the House as very satisfactory.

Now, Sir, we come to our assets and liabilities.

ASSETS AND LIABILITIES.

INVESTMENTS, INTEREST BEARING, AND CASH ASSETS OF THE PROVINCE.

1. DIRECT INVESTMENTS :

Dominion 6 per cent. Bonds.....	\$200,000 00	
Market value over par value	14,000 00	
	<hr/>	\$214,000 00
Drainage 5 per cent. Debentures, invested		
31st December, 1888	\$205,381 17	
Tile drainage 5 per cent. Debentures, in-		
vested 31st December, 1888.....	72,948 61	
Drainage works—Municipal Assessments..	242,228 77	
	<hr/>	520,558 55
		<hr/>
		\$734,558 55

2. CAPITAL HELD AND DEBTS DUE BY THE DOMINION TO ONTARIO,
BEARING INTEREST:

U. C. Grammar School Fund (2 Vict. cap. 10)	\$312,769 04	
U. C. Building Fund (18 sec., Act 1854)	1,472,391 41	
Land Improvement Fund (see award).....	124,685 18	
Common School Fund (Consolidated Statutes, cap. 26) — proceeds realised to 1st July, 1867, \$1,520,959.24— after deducting Land Improvement Fund portion belonging to Ontario	891,201 74	
Capital declared owing to the late Province of Canada by the Dominion Act (47 Vic. cap. 4)—\$5,397,503.13, bearing interest at 5 per cent., Ontario's proportion on basis of Award as advised by Finance Depart- ment	2,848,289 52	
Ontario's share of Library (see award)	105,541 00	
		\$5,754,877 89

3. OTHER DEBTS DUE TO THE PROVINCE:

Balance <i>re</i> Municipal Loan Funds Debts	\$850 00	
Balance <i>re</i> Mimico Lots.....	3,225 00	
		\$4,075 00

4. BANK BALANCES:

Current accounts	\$57,364 39	
Special deposits.....	571,579 75	
		\$628,944 14
Total.....		\$7,122,455 58

LIABILITIES OF THE PROVINCE AT PRESENT PAYABLE.

1. Balance due to Municipalities <i>re</i> Surplus Distribution.....	\$1,291 34	
2. Balance due to Municipalities <i>re</i> Land Improvement Fund, Interest.....	3,256 57	
3. Quebec's share of Common School Fund made up as follows:		
Collections to 31st December, 1888, on account of lands sold between 14th June, 1853, and 6th March, 1861.....	\$889,485 03	
Less 6 per cent cost of management.....	53,369 10	
	\$836,115 93	
Less one-quarter for Land Improvement Fund	209,028 98	
	\$627,086 95	
Collections to 31st December, 1888, on sales made since 6th March, 1861	\$317,594 09	
Less 6 per cent. cost of management	19,055 64	
	298,538 45	
	\$925,625 40	
Quebec's proportion according to population of 1881.....		\$88,257 82
Total.....		\$887,805 73
Surplus of assets after deducting liabilities presently payable		\$6,734,649 85

I may mention, Mr. Speaker, that the sum of \$925,625.40 that appears in the statement of liabilities, in connection with the Common School Fund, will not appear again in the statement of assets and liabilities of the Province, because, in accordance with the arrangement made verbally when at Ottawa, instructions have been sent to the Dominion Government to transfer from the general amount at the credit of the Province this sum of \$925,625.40 to the Common School Fund. This will not affect our assets or liabilities in any way, because it is merely a transfer from the credit that we have in regard to Trust Funds generally to the Common School Fund specially, so that the amount of Trust Funds in the hands of the Dominion will remain as it was, only that a larger portion of it will be credited to the Common School Fund than before.

In reference to these drainage debenture loans, Hon. gentlemen will see in statement No. 3, certain adjusting and correcting entries in Consolidated Fund. These entries do not in any way affect the cash balances, but are merely book-keeping entries to correct book-keeping errors of the late Assistant Treasurer. When the Act reducing the interest on Drainage loans was before the House in 1887, I explained that owing to a want of knowledge of proper book-keeping, the then Assistant Treasurer had not kept these drainage accounts in proper form, and the result was that the ledger balances purporting to represent Drainage Assessment, Drainage Debentures and Tile Drainage, did not accurately represent the present value or balance of capital expenditure in regard to these loans. Let me illustrate how Mr. Harris dealt with them. Take Tile Drainage loans as the simplest illustration, The provisions of our Tile Drainage Act were that for every hundred dollars loaned, the borrower was to pay \$8 a year, represented by coupons for twenty years, \$5 of which was for interest and \$3 on account of principal. Now, when these \$8 coupons were paid Mr. Harris credited the whole to Tile Drainage accounts, instead of crediting \$5 to interest and \$3 to to Tile Drainage. He made the same error in regard to Drainage Assessments, which are all on the instalment plan, the annual instalments including both interest and principal. Some of the Municipal Drainage debentures are on this same plan, and Mr. Harris treated them in the same way. Then, in some cases where reductions were made in Drainage Assessment loans by Order in Council,

Mr. Harris while taking account of these reductions in the Drainage books, did not carry them into the general ledger accounts. These adjusting entries in Statement No. 3, are to correct these errors, and to bring the balances of these drainage accounts in the ledger into correspondence with the actual amount of these debentures held, or the amount of capital unpaid. I informed the House last year, that I had calculations made as to how each loan would be dealt with in regard to the reduction of interest from 5 to 4 per cent. I have this last year, had all these calculations revised and re-examined, and have sent statements to all the municipalities shewing the reductions to which they are entitled. Mr. Speaker, neither the Government nor the Treasurer can be held responsible for errors of this kind, unless for the responsibility of keeping an official who is found to be inefficient. It is utterly impossible that the Treasurer can personally examine every entry in the cash book or journal. He must trust to the Accountant for the actual work. I can only say, that as soon as I was aware of how Mr. Harris was keeping the accounts, I took steps at once to put these accounts on a proper footing, and the Government came to the conclusion that, however reluctant they were to remove officers who have been in the service for many years, a change must be made in the office of Assistant Treasurer and Accountant, and Mr. Harris was asked to resign. A new Assistant Treasurer has been appointed of large experience in banking and financial matters, and I have had a new set of books on a different system adopted, which will simplify and bring under more thorough check the transactions of the Treasury Department. Before Mr. Harris's retirement, I pressed upon him the adoption of this new plan. but it is difficult to get those long accustomed to one method to accommodate themselves to changes.

In former years, Mr. Speaker, the contention has been frequently made that the Trust Funds in the hands of the Dominion ought not to be taken as assets. That contention, in view of the admissions in the Dominion Accounts, can no longer be made with any show of reason. The Dominion, in the accounts furnished to the Province, admit them all as credits at exactly the amounts given in this statement, with the exception of the Common School Fund ; but while they do not credit us directly with this.

fund, they admit they hold it at the joint credit of Ontario and Quebec, and we only take credit for our share of it, upon which share the Dominion pay us interest half-yearly. In the re-cast of the accounts sent by the Dominion in 1886, they admit a balance to the credit of Ontario of \$4,175,-276, adding to which our share of the Common School Fund \$891,202 makes a total credit according to these accounts of \$5,066.477, while in our statement we place the amount held by them at \$5,754.877.

The difference is caused by the Dominion charging various payments made on account of Ontario since Confederation, the most of them in the earlier years of 1867-8-9. These we do not take into account in our statement as they have not been yet allowed or settled, and also because we have certain charges to offset against them ; but it is likely that some reduction on the balance as claimed by us may have to be allowed on account of these payments when settlement is made.

Within the last few weeks, however, another re-cast of the accounts has been received from the Finance Minister, which shews a largely reduced balance to the credit of the Province as compared with the statement of 1886, as to which I think it necessary particularly to refer.

In regard to the adjustment of these unsettled accounts with the Dominion, I was in hopes that I would have been enabled to announce to the House at this Session that a final settlement had been effected of all outstanding accounts, except, perhaps, those preposterous Indian claims, which I on a former occasion referred to, and which by consent have been pigeon-holed, and from which I trust they will never be resurrected.

I think this settlement would by this date have been accomplished had progress not been blocked by the extraordinary attitude assumed by the Finance Minister of the Dominion, as to the interest to be allowed and charged upon the current balances of these accounts.

The position taken by the Dominion is of such serious import to the Province, that I think it proper to put the House and the people of the Province in possession of the facts.

The British North America Act, under which the old Provinces of Canada, comprising Ontario and Quebec, was merged in the Dominion, contained provisions for the settlement of the debts and liabilities of the

old Province. Certain of the assets were declared by that Act to belong to Ontario and Quebec conjointly, and provision was made for an arbitration to divide or apportion these assets and all debts, liabilities and properties not specially dealt with by the British North America Act. That arbitration met in February, 1870, and on the 3rd day of September of that year made their award. By that award certain special or Trust Funds in the hands of the Dominion were declared to be the property of Ontario, and certain other similar funds to be the property of Quebec. This was the first step towards settlement, and had the award been accepted by all parties, proceedings might at once have been taken to settle the details. Quebec, however, disputed the award and appealed to the Privy Council, and it was not until March, 1878, that the decision of the Privy Council, confirming the award, left the way open for negotiations for a final settlement of the accounts. During all those years the Dominion had been holding and using the moneys represented by these funds, and had been receiving and paying moneys on account of the old Province of Canada, and on account of the separate Provinces—in fact had been acting as Trustee for winding up the estate of the old Province of Canada, and as Banker for Ontario and Quebec so far as the Trust Funds were concerned. A joint examination and allowance of these receipts and payments by the financial officers of the Dominion and the Provinces, was necessary to a final settlement. From various causes of delay, which the published correspondence discloses, no meeting took place until November, 1882, when the Treasurers of the Provinces proceeded to Ottawa to meet the Finance Minister. They were met by Mr. Courtney, the Deputy Finance Minister, and the arrangements for procedure towards settlement at once entered upon. The first thing that was required was a statement of accounts, and suggestions were discussed as to how that statement should be made out, and upon what principle interest on the yearly balances should be allowed. It was finally suggested by the Treasurers that a balance should be struck yearly, and the interest carried into the account, either debit or credit, half-yearly, that is, the interest was to be compounded.

Mr. Courtney, acting for the Finance Minister, approved of the suggestion, and said the proposal was a reasonable one, and it was at once put in writing in the shape of a memorandum and signed by the Treasurers. Mr.

Courtney took the memo. into the adjoining room to show to Sir Leonard Tilley, and gave the Treasurers to understand that Sir Leonard approved of it.

Mr. Courtney promised to have the accounts made out in accordance therewith. The Treasurers called upon Sir Leonard to pay their respects to him before leaving, and Sir Leonard expressed his pleasure at the amicable nature of their conference with Mr. Courtney, and his gratification that they had come to an agreement. The foregoing is the substance of Mr. Wood's evidence of what took place at this interview.

The memorandum signed by the Treasurers and approved of by Sir Leonard and Mr. Courtney, was as follows :—

MEMORANDUM WITHOUT PREJUDICE.

The Treasurers of the Provinces of Ontario and Quebec having met to discuss the subject of a settlement of accounts between the two Provinces and the Dominion, are of opinion that before proceeding thereto, it is expedient that a statement of accounts between the Dominion and each of the two Provinces should be prepared, showing for each year on the debit side the various amounts paid, giving date or average date and the various amounts chargeable to each Province, and on the credit side the amount of subsidy, of interest on school funds, on widows' pensions and uncomputed stipends, Upper Canada and Lower Canada, on the amount coming to each Province under the award for the library and on Common School lands and Crown Lands, improvement funds and other services. They are further of opinion that a balance should be struck yearly, and that in arriving at such a balance, interest should be allowed or charged half-yearly, and that the amounts determined by award to be taken as the basis so far as it applies to the statement in question.

The Treasurers therefore beg to request that such a statement be prepared and furnished to them at an early date, and that all special funds be carried to the credit of the Province to which they respectively appertain, as on 1st July, 1867.

S. C. WOOD,
Treasurer of Ontario.

J. WURTELE,
Treasurer of Quebec.

Ottawa, 23rd November, 1882.

Now, the ready verbal approval of the Finance Minister, and his Deputy, Mr. Courtney,—which is not denied—and I may say here nearly all the negotiations and correspondence has been with Mr. Courtney,—would be accepted by most people as binding the Dominion in good faith to abide by it, but the subsequent action of the Dominion Government and its Finance Department, has ratified and confirmed that approval by repeated acts of concurrence and acquiescence.

The preparation of the accounts on this proposed plan was at once put in progress by the Finance Minister. The date of the memo. it will be observed was November, 1882. In June following, enquiries commenced to be made by the Treasurers of the Provinces as to when the accounts in preparation would be ready. These enquiries were repeated from time to time, and Mr. Courtney's replies to them all clearly indicate that the accounts could not be sent until submitted to and approved of by the Finance Minister and the Government.

Let me read you a few as a sample. The full correspondence will be found in the copy of these accounts submitted to Parliament in 1884.

On 23rd June, 1883, Mr. Courtney writes Mr. Wurtele:—

“In reply to that part of it asking when the accounts will be ready for settlement between the two Provinces and the Dominion, I have the honour to state that the accounts are now being sent to the printer, and on their return will be submitted to the Government. I expect they will await the return of Sir Leonard Tilley from England, and no doubt they will be taken up in September next.”

On 3rd October, 1883, Mr. Courtney again writes Mr. Wurtele:—

“I have the honour to acknowledge the receipt of your letter of 1st inst., respecting the accounts between the Provinces of Ontario and Quebec and the Dominion, and in reply thereto I have to say that the accounts are only just finished, and as soon as Sir Leonard Tilley returns to Ottawa they will be submitted to him, and I will then take steps that the subject will have early consideration.”

Again on 12th November, 1883, he writes to Quebec:—

“In reply, I beg to say that the accounts so far as they are ready, have been submitted to the Minister of Finance, and I am directed to inform

you that the Government regret that they are not in a position at present to take up the matter."

On the 26th June, 1883, Mr. Courtney writes to Hon. James Young :

"I am now finishing the accounts between the old Provinces of Canada, the Provinces of Ontario and Quebec and the Dominion, and I will send them for convenience to the printer, so that the case may be complete. I hope that the Ministry may consider them between this and September, and if I can I will endeavour to make arrangements that Mr. Wurtele and yourself may be here towards the end of September, to have the final settlement."

On the 8th October, 1883, the Acting Deputy Finance Minister writes to the Assistant Treasurer of Ontario :—

"I have the honour to acknowledge the receipt of your letter of 6th inst., respecting the unsettled accounts between the Dominion and the Provinces of Ontario and Quebec, and in reply to the same I have to say that the accounts are only just finished, and as soon as Sir Leonard Tilley returns to Ottawa, they will be presented to him, and steps will then be taken for an early consideration of the matter."

And on 28th November, 1883, Mr. Courtney writes to the same official :—

"I have the honour to acknowledge the receipt of your letter of 24th inst., respecting the settlement of the accounts between the Dominion and the Provinces of Ontario and Quebec, and in reply thereto I beg to say that the accounts, so far as they are ready, have been submitted to the Minister of Finance, and I am directed to inform you that the Government regret that they are not in a position at present to take up the matter."

Now, the preparation and transmission of the accounts, in view of this correspondence, cannot be said to be merely a matter of form for which the Government of the Dominion had no responsibility. If it were, why the necessity of these repeated delays until they could be submitted for approval, not even merely to the Finance Minister, but for the concurrence of the whole Government? The accounts were at last transmitted by the Finance Minister to the Treasurers, on 17th December, 1883, made out according to the principle agreed upon at the meeting of 1882, and embodied in the memorandum. During the thirteen months that they were in pre-

paration, not a word of objection was raised as to the proposed calculation of interest, nor when the accounts were transmitted, was any hint given that they were made out on a plan disapproved of by the Dominion Government. Do you not think it reasonable to believe, Mr. Speaker, if these accounts were sent in this form merely as a courteous compliance with a request of the Treasurers, and that objection was contemplated by the Finance Minister, that he would have taken care to accompany the transmission of the accounts with an intimation, that while the accounts were furnished as requested, the Dominion did not feel itself bound by the mode of computing the interest. ? No such intimation was given.

But not only were the Provincial Treasurers led to believe that these accounts and the credits for interest had the full approval of the Government, but the whole people of Canada were publicly informed by the Finance Minister, that these same accounts with the compound interest plainly shewn, were the accounts between the Dominion and the Provinces, as furnished by the Finance Minister after full consideration and approval, because, these same accounts were in the session of 1884 presented to Parliament. If the Dominion did not feel bound by the computation of interest shown in these accounts, was it not the plain and obvious duty of the Finance Minister to have informed Parliament, that although the accounts shewed compound interest, the Dominion only intended to allow simple interest at 5 per cent., but no such intimation was given. Then from December, 1883, to October, 1884, numerous letters were continually passing between the Provincial Treasurers and the Finance Department, asking and giving explanations of various items in the account. In all that correspondence not a whisper of any objection is made as to the interest shewn in them. Then at last, in October, 1884, a conference of the Treasurers with the Finance Minister, at Ottawa, is arranged. The Treasurers were accompanied at the conference with some of their assistants. The Finance Minister, his Deputy Mr. Courtney, and several of the staff of the Finance Department were also present. The Finance Minister placed before every member at the table, a copy of these same accounts, and an examination and settlement of details began. For two days that examination continued. Difference of opinion arose as to many items, discussion took place, and information was asked as to points in dispute, but not one word

was said by the Finance Minister, or any of his staff, that these same accounts, which at his invitation we were then examining and discussing, were improperly made out, or interest improperly credited; and that notwithstanding, that an almost direct invitation was given him to make that objection if he entertained it. That invitation arose in this way. At the previous Session of Parliament, you will recollect an Act was passed granting to Ontario and Quebec, a sum to reimburse them for the interest which had been charged them on the surplus debt of \$10,000,000 odd, between 1867, and 1872, when this surplus debt was assumed. The Treasurers claimed that as this Act had been passed since the accounts had been made out, new accounts should be made on the basis that both principal and interest had been assumed by the Dominion, and that the account, so far as the old Province of Canada was concerned, should commence with a clean sheet from July, 1873, and this we asked, because in the accounts we were charged compound interest on the debt, while the sum granted by the Act of 1884 did not allow compound interest, and we enquired how the interest in that Act had been calculated? I making the remark at the time, that it appeared to me the calculations were neither on the principle of simple or compound.

Sir Leonard said the calculations had been made by the officers of the Department, and which he supposed were correct, but that a statement would be furnished us of how it had been made up. Now, if any idea had at that time been entertained that compound interest was not to be allowed, was this not the time to have said so, and was this reference to the interest question not a direct invitation to make the announcement? but not a word of such was spoken, and the conference broke up without one word being said to intimate that the accounts were not made up on a principle acceptable to all.

I have said it was arranged that a re-cast of the accounts in consequence of the Act of 1884, should be prepared. That re-cast was prepared by the Finance Minister, under his own full direction and control. That re-cast was sent to the Treasurers on 11th January, 1886. That this re-cast had not been sent until it was submitted to and approved of by the Dominion Government, is manifest from Mr. Courtney's letter of 19th December, 1885, in reply to mine asking for the re-cast, in which he says: "The

“accounts are now being overhauled, and I trust when the Premier returns the matter will be at once taken up. The Minister of Finance has only just been installed, and as yet I have not been able to bring the matter to his notice, but I think that early next month, I shall be able to get matters in some shape.” Now here is a direct intimation, that the re-cast could not be sent until it had been submitted not only to the Finance Minister, but to the Premier. It was sent no doubt with their approval, and that re-cast contained the interest compounded on the same principle as in the former accounts.

Is it conceivable that the Finance Minister would have again made out the accounts, allowing compound interest without a word of objection, if that interest was not accepted as correct by the Government?

Again by referring to our Sessional Papers, you will see that from the date of the first furnishing of the accounts in 1883, a continuous correspondence was carried on between the Treasurer and the Finance Department, in regard to items of debit and credit in these accounts, but there is not during those six years in all that correspondence, a single objection as to the mode in which the interest had been computed, or any reference or suggestion that the interest question was unsettled. At last, on the 24th October last, another meeting with the Finance Minister was arranged, and the Treasurers of the Provinces met Mr. Foster to finally settle the accounts if possible. Then were we for the first time met with the intimation, that these accounts which had been furnished to the Provinces by his predecessors, were all wrong—that the interest was made up on a wrong basis—that the agreement of 1882, which for six years all parties had been acting upon, would not be adhered to, and that the Dominion would only allow 5 per cent. simple, instead of 5 per cent. compound, as had been agreed upon. And what was the plea upon which this act of repudiation was taken? It was that the memo. of 1882 was “without prejudice,” was not signed by the Dominion, and that the Dominion Government were therefore not legally bound by it. That in making out the accounts in accordance with the memorandum, they were merely complying with a request of the Treasurers, and that there was no precedent for allowing compound interest.

Mr Wood stated that the reason why the memorandum was made without prejudice, was that the Treasurers felt that they could not bind their

Governments without consulting them, and this was for the purpose of giving them time to secure their acquiescence. That acquiescence was given by the Governments of both Provinces when reported to them, and the words "without prejudice" ceased then to have effect so far as the Provinces were concerned. Had the Dominion Government come to the conclusion when the accounts were in preparation, or when submitted to them before being sent to the Provinces, that this mode of computing the interest could not be agreed to, it might then have been open to them to say, we cannot agree to this principle, but when these accounts were submitted to them for their approval before being sent out; when they were transmitted to the Provinces with their approval, and without a word to indicate any objection to the interest shewn; when for six years they have without raising this question, permitted correspondence to go on as to all other disputed points; when they have themselves made two subsequent editions or re-casts of these same accounts on the same lines, and submitted them to Parliament; when they have met in conference (the Treasurers) and discussed all points of difference suggested, without raising this question; when, I say, they have by these repeated and continuous acts, given tacit and active acquiescence in the agreement of 1882, without making a hint of objection, it is too late in the day to say now, Oh! this was all done without prejudice, and we are not legally bound.

As to there being no precedent for allowing compound interest, when this plea was urged by Mr. Foster, I from memory was able to quote to him at the time a few cases in which the Dominion Public Accounts shewed compound interest allowed, and a search in the Public Accounts has enabled me to quote to him several more. Let me give the House some of the cases in which compound interest has been allowed by the Province of Canada accounts and by the Dominion.

1. In the account with the Law Society of Upper Canada, interest was charged quarterly by the Dominion on the balances at debit of the account and included in the balance next year, on which interest is again charged, which is compounding.

2. The Upper Canada Building Fund was credited with compound interest on the balances at its credit, the interest carried into the account quarterly.

3. The Clergy Reserve Fund accounts, both Upper and Lower Canada, were credited in the same way with interest on the quarterly balances, which interest was added to principal, on which interest was again allowed.

4. The special account with the Common School lands was dealt with in the same way, interest credited quarterly to principal.

5. The Grammar School Fund was treated in the same way.

6. The Superior Education Fund, Lower Canada, was also allowed compound interest.

7. The Municipalities' Fund, Canada east, against which there was a debit balance, was charged interest on the balance at debit quarterly, and compounded.

8. The Seigniorial Indemnity accounts, on which compound interest was allowed, and that at six per cent.

9. The Indian Trust, compound interest allowed.

10. Indian Land Management Fund, compound interest allowed, and at six per cent.

11. Savings Banks account, on which interest is compounded every six months.

What is the practice also in every Bank and Loan Society in the Dominion? I know of my own knowledge as to many of them, and I believe it is the invariable practice to compound the interest allowed on these accounts half-yearly.

Surely the people of Ontario, whom hon. gentleman opposite say are paying two-thirds of the revenue of the Dominion, are entitled to as liberal consideration in interest on their funds used by the Dominion as the seigniorial lords of Lower Canada or the wandering Indian tribes.

It was also objected that if the compound interest was allowed to Ontario and Quebec, the other Provinces would ask a grant as an equivalent, which proposition is preposterous and inadmissible.

Ontario and Quebec do not ask this as a grant or a favour, we claim it as a right due us by the Dominion including the other Provinces, for which they have received full value. They have had the use of our money for twenty years. All we claim, is that for the use of that money, interest at 5 per cent. should be added yearly to the balance at our credit.

Ontario will never consent to bribe the other Provinces with her own money to secure her just rights. If any idea of opening a way to make grants to the other Provinces at our expense is at the bottom of this strange proceeding, I can only say for myself—and I think I express the sentiments of the people of Ontario—I would not accept our claim upon such conditions.

Ontario will never consent to this injustice. She has right, justice and equity in demanding that the agreement of 1882 should be carried out in good faith, and I very much misjudge the people of Ontario if they do not unanimously, irrespective of party, insist on its fulfilment.

Now, Mr. Speaker, my justification for referring to this question at such length, is that it is a serious question for Ontario. It involves a difference of nearly a million dollars to the Province. The difference according to the new accounts submitted, as they make them up on their plan of 5 per cent. simple interest, shews a loss to the Province of \$857,000 as compared with their own accounts formerly rendered.

But there is one point, Mr. Speaker, before I leave this question of the settlement of accounts which I ought to have mentioned. To assume, for the sake of argument, that the agreement of 1882 was not binding, why should the Province be required to accept only 5 per cent. simple interest? I think the law is, Mr. Speaker, that where no agreement is made, the legal rate of interest shall be allowed, which is 6 per cent. It may be said that under the British North America Act provision is made that Provinces entering Confederation with a certain amount of debt beyond what they were allowed are to be charged 5 per cent. interest upon that debt, and that other Provinces entering Confederation with less debt than they were allowed are to be credited with 5 per cent. interest, but this is a provision expressly confined to this question of excess of debt, by the terms of the Act. It has no application to accounts such as these, and surely if we are not entitled to 5 per cent. compound interest (which I claim we are, from all the circumstances laid before the House), then why should they say: "We will only allow you 5 per cent. instead of 6 per cent. simple interest?" Why, these very accounts submitted in 1888 contain a number of items charged against the Province of Ontario and the old Province of Canada with interest allowed by the Dominion

to the individuals whose claims they have paid at 6 per cent. Surely if the Dominion consider themselves bound to pay 6 per cent. upon arrears of payment to parties having claims against the Province, are they not bound to pay us 6 per cent. upon arrears due to us? I should think that would follow as a matter of course. But, another thing, you must recollect that their claim is that we are only to receive 5 per cent. simple interest from the date of Confederation. Now, it is well known that for many years after Confederation the Dominion were paying 6 per cent. for money borrowed, but they say to us: "We will only allow you 5 per cent." I may also say, as stated before, that the Dominion Government allow interest on the Indian Fund at 6 per cent., and also to the Seignories of Lower Canada. I have here the Public Accounts of the Dominion for 1884 showing that. I find on page 12:—

"Interest on Trust Funds:—Indian Fund—For one year's interest to 30th June, 1884, on \$1,107,812.93, at 6 per cent. per annum, \$66,468.78."

Then I have, immediately following:—

"Compensation to Seigniors, L. C.—Half-year's interest to 1st July, 1883, on \$198,073, at 6 per cent. per annum, \$5,942.19;" and, following that, "Half-year's interest to 1st January, 1884, on \$190,110.67, at 6 per cent. per annum, \$5,703.32."

Then, if you turn to the Special Accounts, you will see that interest is actually compounded. Take Indian Trust Fund Account, it says:—

Balance at credit of this fund on 30th June, 1883... \$3,150,986

Interest accrued during the year on funds in the

hands of the Dominion Government..... 153,816

This is credited to Principal Account, and interest allowed on it the next year, so that in regard to Indian Trust Fund Account the Dominion allows 6 per cent. compound interest, while they only allow us 5 per cent. simple.

Mr. Speaker, although this extraordinary position taken by the Finance Minister has prevented a final settlement being arrived at, still some progress has been made towards it. I may say, we have practically settled the old Province of Canada account. I have previously informed the House that the Treasurers contended that the effect of the Acts of 1873 and 1884 was

to cancel the surplus debt of \$10,506,088 with which Ontario and Quebec had under the B. N. A. Act, entered the Dominion, and upon which had been charged interest ; in other words, we contended that the Dominion by those Acts, assumed that surplus debt as at the date of Confederation. The Act of 1873 assumed the principal ; the Act of 1884 gave us the interest. It was agreed at the conference that our contention should be carried out in the accounts, and that the debt with which Ontario and Quebec jointly, should be entitled to enter confederation, should be placed in the accounts at \$73,006,088 instead of \$62,500,000 as in the former accounts, as the amount of liabilities assumed by the Dominion according to the balance sheet of July 1st, 1867, were only \$72,234,587, the old Province in the amended accounts really enters confederation with a credit balance of \$771,501.82.

This arrangement simplified the settlement very greatly, as the Dominion having assumed all the sums charged against the old Province up to 1873, the Provinces had no interest in examining into their correctness, we therefore accepted them as correct and proceeded to the examination of the charges from 1873 to the present time. Some corrections were made and this branch of the accounts with the exception of four or five items was settled and agreed to by all parties.

I am sorry that the negotiations that were opened with Quebec for an arbitration to adjust some matters in connection with this settlement in which the two Provinces have adverse interest, have fallen through for the present. It appears that some misunderstanding has taken place as to what was understood at a personal conference with Mr. Mercier and his Treasurer. Mr. Mowat, myself and other members of the Government understood that the Land Improvement Fund particularly, was to be referred, as well as the interest on the Common School Fund and other matters. Mr. Mercier, it appears, understood that the interest on the Common School Fund only was to be referred.

To shew clearly what our understanding was, it was announced to the House last Session that the Land Improvement Fund was to be referred, and we took power in the Act providing for the arbitration to refer this question and all other matters. Mr. Mercier only asked from his Legislature, power to refer the Common School Fund. It is unfortunate that

this difference has arisen, as it would be much better to settle all these matters by a friendly arbitration, than to have recourse to law. As Quebec has refused to arbitrate, I think the Dominion should credit the amount to Ontario, and charge the old Province of Canada as I requested them to do three years ago, leaving Quebec to contest the charge if so inclined. The Dominion has in other matters assumed to settle claims against the old Province of Canada without reference to the Provinces, and I think she would have a better justification in this, the equitable claim of the municipalities being so strong.

Now, Mr. Speaker, I come to another matter. I suppose the House will be pleased to learn that the Province has been successful so far in its suit with the insurance companies for recovering the loss sustained through the London Asylum fire. The House is aware, as I informed hon. gentlemen last session of the fact, that out of some twenty-six companies two companies only acknowledged the claim and twenty-four resisted it. Suit was entered. We appealed to the Courts, and judgment was given for the Province. I believe some of the companies in turn have appealed. I suppose the House is aware that, in accordance with the announcement made last Session, all our policies were allowed to expire on 1st May last, since which we have carried no insurance on our Provincial buildings. Since these policies have been allowed to expire a fire has taken place at the Agricultural College, involving a loss of \$20,000, on which we formerly carried an insurance of \$14,000, and in consequence some may hold that the position taken in regard to giving up insuring is one that was not justified. But, Mr. Speaker, we have an experience of seventeen years of insuring to enable us to judge as to whether the insurance of our Provincial buildings is profitable or not. During these seventeen years we have paid in premiums \$133,334, while we have only received for losses \$77,983, or there has been a profit to the insurance companies of \$55,851. Now, Mr. Speaker, I think an experience of seventeen years is a pretty fair test, and I think it demonstrates that the policy of insuring our buildings is clearly unprofitable. I would not attempt to say that any individual should give up insuring, but the Government, having its risks scattered over the whole Province, is not in the same position as an individual, inasmuch as no loss that the Government might sustain could involve

ruin such as it might in the case of an individual, therefore the Government considered, Is it profitable to pay insurance companies premiums and have them dispute our claims when presented, or run our own risks? Several large mercantile companies do not insure for the same reasons; their risks are spread over a large territory, not involving any great loss at one time, and therefore they can afford to take the risk of insuring their own buildings. Now, if we had renewed our policies, I would have had to ask the House for an estimate of \$32,000, and, supposing we had received \$14,000 for the fire at the Agricultural College, we would still have had to pay \$18,000 as the cost of carrying on our insurance for the next two years. Then we have the experience and practice in the United States in regard to insurance. Some two years ago in connection with this question I found that the majority of the States in the Union did not insure. I will mention some in our immediate neighbourhood—Michigan, Maine, Illinois, Indiana, New York, Ohio—these States do not insure; they run their own risks, and I think our experience of seventeen years has justified the Province in taking the same position.

I now come, Mr. Speaker, to the estimated expenditure for the present year. The Estimates are in the hands of hon. gentlemen. I will run over the amounts, with some little comments in connection with them.

For Civil Government our estimate for this year is \$212,145, an increase of \$13,300 apparently over last year, but hon. gentlemen will see that an item of \$9,476 is transferred from Agriculture to Civil Government, comprising the salaries and expenses of the staff of the Minister of Agriculture, formerly called the Bureau of Industries. He is now a Minister under Civil Government, and we thought it but right that that should be transferred. This amount is therefore not an increase.

Then for Legislation we ask \$120,050, against an expenditure in 1888 of \$127,030. We are making a saving in connection with the item of Sessional Writers, which we hope to be able to carry out this year. Then for Printing and Binding, we spent last year \$26,364, and we are asking this year only \$25,000. Then for printing Bills—as I said before this is a matter beyond our control, unless we should pass a law that hon. members should only be allowed to introduce one Bill to amend the law relating to one subject in one session.

Then for Administration of Justice we ask \$365,316 ; our expenditure in 1888 was \$373,898. As I said before, litigation of constitutional questions involved last year an over-expenditure of \$9,000. We only put the amount at \$12,000 for 1889, instead of \$21,000 asked in 1888.

Then for Education we ask \$588,872 as against an expenditure in 1888 of \$579,465. For Public Institutions Maintenance we estimate \$736,084, our expenditure in 1888 being \$721,602. I have already observed that the increase in that service is one which we cannot very well control. We wish we could curtail it, but it is an expenditure which must be met.

For Immigration we are only asking \$6,850, against an expenditure last year of \$7,952. For Agriculture, \$142,287 against \$137,054 expended in 1888. The increase in this is in connection with the Experimental Farm, and is mainly due to the necessity of replacing the losses in fodder, grain and implements, caused by the late fire. For Hospitals and Charities we ask \$120,528, against an expenditure last year of \$113,686, the increase being in connection with new institutions that have been placed upon the schedule and submitted for the approval of the House. Then for Maintenance and Repairs we ask \$64,140, against an expenditure in 1888 of \$64,176. For Public Buildings we are asking the large sum of \$471,636. That comprises new expenditures and large sums in connection with the following buildings : Cottages at Minnico, \$211,004 ; Asylum for Idiots, Orillia, \$60,000 ; for new buildings at the School of Practical Science, \$50,000, and \$20,000 for the new farm buildings at the Agricultural College. These four items make up \$341,000 out of the \$471,636. The balance is for various buildings throughout the Province. I may say that the vote asked this year is the largest yet asked for Public Buildings with the exception of the year 1873, when we took a vote of \$235,000 for the Central Prison.

For Public Works we are asking \$30,759 against an expenditure last year of \$42,870. For Colonization Roads we ask \$98,150 as against \$112,273 expended last year. For Charges on Crown Lands we estimate \$101,900 against \$96,734 expended in 1888. For Refunds we ask \$25,557 against an expenditure last year of \$27,703. For Consolidation of Statutes we estimate to require \$1,000 to supplement the expenditure of \$31,394 last year. For Miscellaneous we ask \$76,641, against an expenditure last

year of \$61,299. For Unforeseen and Unprovided we ask the usual sum of \$50,000. I may say that last year out of the \$50,000 we only felt ourselves obliged to appropriate \$12,731.

Altogether, our anticipated expenditure under the Estimates is \$3,211,918.55.

Now, Mr. Speaker, I come to the question of Receipts—how are we going to meet these estimated expenditures? Hon. gentlemen have in their hands a statement shewing from what sources we expect to derive our revenue.

ESTIMATED RECEIPTS, 1889.

Subsidy		\$1,196,872 80
Interest on Capital held and Debts due by the Dominion to Ontario	\$279,111 10	
Interest on Investments	50,000 00	
		329,111 10
CROWN LANDS DEPARTMENT :—		
Crown Lands	83,000 00	
Clergy Lands	5,000 00	
Common School Lands ..	10,000 00	
Grammar School Lands	2,000 00	
Woods and Forests	1,000,000 00	
		1,100,000 00
PUBLIC INSTITUTIONS :—		
Toronto Lunatic Asylum	38,500 00	
London “	10,000 00	
Kingston “	3,500 00	
Hamilton “	7,000 00	
Orillia “	1,400 00	
Reformatory for Females	4,000 00	
“ Boys	700 00	
Central Prison	32,000 00	
Deaf and Dumb Institute	150 00	
		97,250 00
Education Department		22,000 00
Casual Revenue		34,000 00
Licenses		260,000 00
Law Stamps		75,000 00
Algoma Taxes		3,000 00
Drainage Assessment		20,000 00
Municipal Loan Fund		850 00
Toronto Asylum Lands ..		185,000 00
Insurance Companies' Assessments		3,000 00
Assessment of Counties <i>re</i> removal of Lunatics		6,000 00
Total		<u>\$3,332,083 90</u>

Regarding the item of Interest on Capital held and Debts due by the Dominion, perhaps the Dominion may reduce this amount in consequence of their recent attitude. My hope is that the Dominion, however, after the joint remonstrance made by Ontario and Quebec, may be induced to reconsider this question, and that this sum will remain the same as it has been for years past. Under the head of Crown Lands Department, the Commissioner authorizes me to estimate \$1,100,000. Included in that will be \$140,000 remaining unpaid of the bonuses of 1887. The balance will be ordinary revenue from sale of Crown Lands and Timber dues.

Then from Public Institutions we estimate to receive \$97,250. From Education, \$22,000. Our receipts last year were \$33,000, but in consequence of the transfer of examinations to counties a saving of expense has been secured and at the same time it will result in a decrease of revenue to the amount of the fees received by the Education Department for these past examinations.

From Casual Revenue we estimate \$34,000. From Licenses we expect \$260,000. Our receipts last year were \$233,886. We expect to receive from the same districts this year \$240,000, and we are aware of petitions being circulated asking for a vote on the question of repealing the Scott Act in a large number of counties, and judging from the result of last year, it may be fairly anticipated that in some of these counties the Act will be repealed. The additional revenue, should the Act be repealed in all the counties, would be \$78,000, but we do not think that we are fairly justified in estimating more than one-fourth of that amount, and so we only place our additional estimated revenue from these counties at \$20,000.

Then for Law Stamps we expect to receive \$75,000.; the revenue last year was \$81,044.; from Algoma Taxes we anticipate \$3,000.; from Drainage Assessments, \$20,000.; from Municipal Loan Fund, the City of St. Catharines, \$850; then from the sale of Toronto Asylum Lands, \$185,000. Now it might be said perhaps that this is not an ordinary receipt, but when this land was set apart specially for the erection of cottages at Mimico, and the cost of these cottages comes in as part of our expenditure, it is but fair to take the receipts from the sale of this land as part of the revenue to meet that expenditure, and I therefore have taken

the balance of three-fourths to be covered by the mortgages, which we will dispose of if we can get par for them rather than to be dealing in releases and discharges with individuals, and I have no doubt we can get that for them.

Then we have Insurance Companies' assessments, \$3,000; and the assessment of Counties for removal of lunatics, etc., \$6,000, altogether making a total of Estimated Receipts for the year 1889 of \$3,332,083.90. Now our Estimated Expenditure under the Estimates in hon. gentlemen's hands is \$3,211,918.55. Our Estimated Receipts therefore will exceed our Estimated Expenditure for the year by \$120,165.35; but then, outside of ordinary estimated receipts, there will be no doubt as there have been in the past, some exceptional or statutory expenditures, items which we do not estimate for in the Supply Bill. For instance, we have railway annuities, \$247,982. We have also other annuities, \$52,200, or altogether \$300,182, so that taking into account the above estimated surplus and these statutory payments to be met, it would leave a deficiency of \$180,017; that is to say, if these estimates proved to be correct, at the close of the year we would have, taking the expenditure estimated under the Supply Bill and also these extraordinary expenditures, a deficiency of \$180,017. But, Mr. Speaker, we must bear in mind that we have at the commencement of the year a balance at our credit of \$628,944, so that you can take this \$180,017 out of that and still leave \$448,927 to the good in cash, out of which can be paid the expenditure upon the Parliament Buildings, and then leave a respectable balance still in the bank.

Now, Mr. Speaker, I have presented to the House the financial statement of the year and of the anticipated transactions of the future. We have for a good many years heard annual homilies upon the necessity of stringent economy, and predictions that the Province was rapidly nearing, if it had not already reached, a position when it would have to borrow to meet its ordinary expenditure or resort to direct taxation. We have recognized the necessity for economy and have accepted in good part the rather gloomy and dark-colored pictures of approaching ruin, which no doubt with the best intentions have been held up to us as a warning. We have, perhaps, sometimes thought those pictures overdrawn, and that the imagination of the senior member for Toronto has sometimes depicted these

with a grotesqueness worthy of the pencil of a Doré. We confess that we have ourselves frequently felt a good deal of difficulty in resisting the demand for new expenditures pressed upon the Government by the growing needs of a great and progressive Province. We have, however, by a careful and judicious control, been enabled to meet the legitimate demands in a fairly liberal spirit without trenching upon our reserve capital represented by our surplus. We admit that in this we have been materially helped by the late favorable timber sales, but we claim that the proceeds of these have been legitimately applied in public buildings and works which would otherwise have absorbed our reserve, and which are of far more present advantage to the people than forest preserves. We feel that we have on this occasion, as in the previous year, a fairly satisfactory balance sheet to present as to the transactions of the past year, and a hopeful and, I trust, not exaggerated prospectus for 1889. Our eyes are not closed to the necessity of economy, but recognize that that economy must be coupled with a liberal appreciation of the requirements of the public service, and we trust that the House, on a review of the financial statement which it has been my privilege to present, will give us credit for having fairly done our duty. I move, Mr. Speaker, that you now leave the chair.

Ontario. Treasury Dept. (G.E.)

! Ontario - Finance and Taxation.